

GAO

## Testimony

Before the Committee on the Budget, House of  
Representatives

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# HOMELAND SECURITY

## Challenges and Strategies in Addressing Short- and Long- Term National Needs

Statement of David M. Walker  
Comptroller General of the United States



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Mr. Chairman and Members of the Committee:

The terrorist attacks of September 11, 2001, have profoundly changed the agendas of the Congress, the White House, federal agencies, state and local governments, and a number of private sector entities, while simultaneously altering the way of life for many Americans. The grave events of September 11th not only ended the debate about whether threats to our homeland are real, but also shattered the false sense of invulnerability within our nation's borders. At the same time, the aftermath of the attacks also clearly demonstrates the spirit of America and the enormous capacity of this nation to unite; to coordinate efforts among federal, state and local agencies, as well as among private businesses, community groups, and individual citizens in response to a crisis; and to make the sacrifices necessary to respond both to these new threats and the consequences they entail.

Our challenge is to build upon this renewed purpose in ways that create both short- and long-term benefits and allow us to sustain our efforts. As the lesson from history inscribed on the front of the National Archives states, "Eternal vigilance is the price of liberty." Our fight against terrorism is not a short-term effort, and homeland security will forevermore be a priority for our nation. As a result, we must find the best ways to sustain our efforts over a significant time period and leverage our finite resources, both human and financial, in ways that will have the greatest effects.

I appreciate the opportunity to discuss with you today a framework for addressing federal efforts to improve our homeland security and the fiscal implications that these actions may have for our nation. Specifically, I will discuss the nature of the threats posed to our nation, key elements of a framework to address homeland security, and the potential short- and long-term fiscal implications these efforts may have for the nation.

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## Summary

According to a variety of U.S. intelligence assessments, the United States now confronts a range of increasingly diffuse threats that put increased destructive power into the hands of small states, groups, and individuals and threaten our values and way of life. These threats range from incidents of terrorism and attacks on critical infrastructure to cyber attacks, the potential use of various weapons of mass destruction, and the spread of infectious diseases. Each of these threats has varying degrees of potential to cause significant casualties and disruption. GAO has reported on many of these issues over the past several years, and the changing nature of security threats in the post-Cold War world remains a key theme in our strategic plan. Appendix I contains a summary of our work and products in this area.

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An effective framework to address these challenges will require not only leadership with a clear vision to develop and implement a homeland security strategy in coordination with all relevant partners but also the ability to marshal and direct the necessary resources to get the job done. The recent establishment of the Office of Homeland Security is a good first step, but a series of questions must be addressed regarding how this office will be structured, what authority its Director will have, and how this effort can be institutionalized and sustained over time. The Director will need to define the scope and objectives of a homeland security strategy. This strategy should be comprehensive and encompass steps designed to reduce our vulnerabilities, deter attacks, manage the effects of any successful attacks, and provide for appropriate response. The strategy will involve all levels of government, the private sector, individual citizens both here and abroad, and other nations. Our strategy should also use a risk management approach to focus finite national resources on areas of greatest need.

While homeland security is an urgent and vital national priority, we should recognize that the challenges it presents illustrate the range of challenges facing our government in other areas not as visible or urgent—but nevertheless important. These include a lack of mission clarity; too much fragmentation and overlap; the need to improve the federal government’s human capital strategy; difficulties in coordination and operation across levels of government and across sectors of the economy; and the need to better measure performance.

As we respond to these urgent priorities of today and the enduring long-term requirements related to homeland security, our nation still must address a number of other short-term and long-term fiscal challenges that were present before September 11, 2001, and remain today. Our history suggests that we have incurred sizable deficits when the security or the economy of the nation was at risk. We are fortunate to face these risks at a time when we have some near-term budgetary flexibility. It is important to remember, however, that the long-term pressures on the budget have not lessened. In fact, they have increased due to the slowing economy and the increased spending levels expected for fiscal year 2002. As a result, the ultimate task of addressing today’s urgent needs without unduly exacerbating our long-range fiscal challenges has become much more difficult.

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## The Nature of the Threat Facing the United States

The United States and other nations face increasingly diffuse threats in the post-Cold War era. In the future, potential adversaries are more likely to strike vulnerable civilian or military targets in nontraditional ways to avoid direct confrontation with our military forces on the battlefield. The December 2000 national security strategy states that porous borders, rapid technological change, greater information flow, and the destructive power of weapons now within the

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reach of small states, groups, and individuals make such threats more viable and endanger our values, way of life, and the personal security of our citizens.

**Figure 1: Threats to National Security**



Hostile nations, terrorist groups, transnational criminals, and individuals may target American people, institutions, and infrastructure with cyber attacks, weapons of mass destruction, or bioterrorism. International criminal activities such as money laundering, arms smuggling, and drug trafficking can undermine the stability of social and financial institutions and the health of our citizens. Other national emergencies may arise from naturally occurring or unintentional sources such as outbreaks of infectious disease. As we witnessed in the tragic events of September 11, 2001, some of the emerging threats can produce mass casualties. They can lead to mass disruption of critical infrastructure, involve the use of biological or chemical weapons, and can have serious implications for both our domestic and the global economy. The integrity of our mail has already been compromised. Terrorists could also attempt to compromise the integrity or delivery of water or electricity to our citizens, compromise the safety of the

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traveling public, and undermine the soundness of government and commercial data systems supporting many activities.

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## Key Elements to Improve Homeland Security

A fundamental role of the federal government under our Constitution is to protect America and its citizens from both foreign and domestic threats. The government must be able to prevent and deter threats to our homeland as well as detect impending danger before attacks or incidents occur. We also must be ready to manage the crises and consequences of an event, to treat casualties, reconstitute damaged infrastructure, and move the nation forward. Finally, the government must be prepared to retaliate against the responsible parties in the event of an attack. To accomplish this role and address our new priority on homeland security, several critical elements must be put in place. First, effective leadership is needed to guide our efforts as well as secure and direct related resources across the many boundaries within and outside of the federal government. Second, a comprehensive homeland security strategy is needed to prevent, deter, and mitigate terrorism and terrorist acts, including the means to measure effectiveness. Third, managing the risks of terrorism and prioritizing the application of resources will require a careful assessment of the threats we face, our vulnerabilities, and the most critical infrastructure within our borders.

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## Leadership Provided by the Office of Homeland Security

On September 20, 2001, we issued a report that discussed a range of challenges confronting policymakers in the war on terrorism and offered a series of recommendations.<sup>1</sup> We recommended that the government needs clearly defined and effective leadership to develop a comprehensive strategy for combating terrorism, to oversee development of a new national-threat and risk assessment, and to coordinate implementation among federal agencies. In addition, we recommended that the government address the broader issue of homeland security. We also noted that overall leadership and management efforts to combat terrorism are fragmented because no single focal point manages and oversees the many functions conducted by more than 40 different federal departments and agencies.<sup>2</sup>

For example, we have reported that many leadership and coordination functions for combating terrorism were not given to the National Coordinator for Security,

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<sup>1</sup> *Combating Terrorism: Selected Challenges and Related Recommendations* (GAO-01-822, Sept. 20, 2001).

<sup>2</sup> *Combating Terrorism: Comments on Counterterrorism Leadership and National Strategy* (GAO-01-556T, March 27, 2001).

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Infrastructure Protection and Counterterrorism within the Executive Office of the President. Rather, these leadership and coordination functions are spread among several agencies, including the Department of Justice, the Federal Bureau of Investigation (FBI), the Federal Emergency Management Agency, and the Office of Management and Budget. In addition, we reported that federal training programs on preparedness against weapons of mass destruction were not well coordinated among agencies resulting in inefficiencies and concerns among rescue crews in the first responder community. The Department of Defense, Department of Justice, and the Federal Emergency Management Agency have taken steps to reduce duplication and improve coordination. Despite these efforts, state and local officials and organizations representing first responders indicate that there is still confusion about these programs. We made recommendations to consolidate certain activities, but have not received full agreement from the respective agencies on these matters.

In his September 20, 2001, address to the Congress, President Bush announced that he was appointing Pennsylvania Governor Thomas Ridge to provide a focus to homeland security. As outlined in the President's speech and confirmed in a recent executive order,<sup>3</sup> the new Homeland Security Adviser will be responsible for coordinating federal, state, and local efforts and for leading, overseeing, and coordinating a comprehensive national strategy to safeguard the nation against terrorism and respond to any attacks that may occur.

Both the focus of the executive order and the appointment of a coordinator within the Executive Office of the President fit the need to act rapidly in response to the threats that surfaced in the events of September 11 and the anthrax issues we continue to face. Although this was a good first step, a number of important questions related to institutionalizing and sustaining the effort over the long term remain, including:

- What will be included in the definition of homeland security? What are the specific homeland security goals and objectives?
- How can the coordinator identify and prioritize programs that are spread across numerous agencies at all levels of government? What criteria will be established to determine whether an activity does or does not qualify as related to homeland security?

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<sup>3</sup> *Establishing the Office of Homeland Security and the Homeland Security Council*, E.O. 13228, Oct. 8, 2001.

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- How can the coordinator have a real impact in the budget and resource allocation process?
  - Should the coordinator's roles and responsibilities be based on specific statutory authority? And if so, what functions should be under the coordinator's control?
  - Depending on the basis, scope, structure, and organizational location of this new position and entity, what are the implications for the Congress and its ability to conduct effective oversight?

A similar approach was pursued to address the potential for computer failures at the start of the new millennium, an issue that came to be known as Y2K. A massive mobilization, led by an assistant to the President, was undertaken. This effort coordinated all federal, state, and local activities, and established public-private partnerships. In addition, the Congress provided emergency funding to be allocated by the Office of Management and Budget after congressional consideration of the proposed allocations. Many of the lessons learned and practices used in this effort can be applied to the new homeland security effort. At the same time, the Y2K effort was finite in nature and not nearly as extensive in scope or as important and visible to the general public as homeland security. The long-term, expansive nature of the homeland security issue suggests the need for a more sustained and institutionalized approach.

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## Developing a Comprehensive Homeland Security Strategy

I would like to discuss some elements that need to be included in the development of the national strategy for homeland security and a means to assign roles to federal, state, and local governments and the private sector. Our national preparedness related to homeland security starts with defense of our homeland but does not stop there. Besides involving military, law enforcement, and intelligence agencies, it also entails all levels of government – federal, state, and local – and private individuals and businesses to coordinate efforts to protect the personal safety and financial interests of United States citizens, businesses, and allies, both at home and throughout the world. To be comprehensive in nature, our strategy should include steps designed to

- reduce our vulnerability to threats;
- use intelligence assets and other broad-based information sources to identify threats and share such information as appropriate;
- stop incidents before they occur;
- manage the consequences of an incident; and

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- in the case of terrorist attacks, respond by all means available, including economic, diplomatic, and military actions that, when appropriate, are coordinated with other nations.

An effective homeland security strategy must involve all levels of government and the private sector. While the federal government can assign roles to federal agencies under the strategy, it will need to reach consensus with the other levels of government and with the private sector on their respective roles. In pursuing all elements of the strategy, the federal government will also need to closely coordinate with the governments and financial institutions of other nations. As the President has said, we will need their help. This need is especially true with regard to the multi-dimensional approach to preventing, deterring, and responding to incidents, which crosses economic, diplomatic, and military lines and is global in nature.

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## Managing Risks to Homeland Security

The United States does not currently have a comprehensive risk management approach to help guide federal programs for homeland security and apply our resources efficiently and to best effect. “Risk management” is a systematic, analytical process to determine the likelihood that a threat will harm physical assets or individuals and then to identify actions to reduce risk and mitigate the consequences of an attack. The principles of risk management acknowledge that while risk generally cannot be eliminated, enhancing protection from known or potential threats can serve to significantly reduce risk.

We have identified a risk management approach used by the Department of Defense to defend against terrorism that might have relevance for the entire federal government to enhance levels of preparedness to respond to national emergencies whether man-made or unintentional in nature. The approach is based on assessing threats, vulnerabilities, and the importance of assets (criticality). The results of the assessments are used to balance threats and vulnerabilities and to define and prioritize related resource and operational requirements.

Threat assessments identify and evaluate potential threats on the basis of such factors as capabilities, intentions, and past activities. These assessments represent a systematic approach to identifying potential threats before they materialize. However, even if updated often, threat assessments might not adequately capture some emerging threats. The risk management approach therefore uses the vulnerability and criticality assessments discussed below as additional input to the decision-making process.

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Vulnerability assessments identify weaknesses that may be exploited by identified threats and suggest options that address those weaknesses. For example, a vulnerability assessment might reveal weaknesses in an organization's security systems, financial management processes, computer networks, or unprotected key infrastructure such as water supplies, bridges, and tunnels. In general, teams of experts skilled in such areas as structural engineering, physical security, and other disciplines conduct these assessments.

Criticality assessments evaluate and prioritize important assets and functions in terms of such factors as mission and significance as a target. For example, certain power plants, bridges, computer networks, or population centers might be identified as important to national security, economic security, or public health and safety. Criticality assessments provide a basis for identifying which assets and structures are relatively more important to protect from attack. In so doing, the assessments help determine operational requirements and provide information on where to prioritize and target resources while reducing the potential to target resources on lower priority assets.

We recognize that a national-level risk management approach that includes balanced assessments of threats, vulnerabilities, and criticality will not be a panacea for all the problems in providing homeland security. However, if applied conscientiously and consistently, a balanced approach—consistent with the elements I have described—could provide a framework for action. It would also facilitate multidisciplinary and multi-organizational participation in planning, developing, and implementing programs and strategies to enhance the security of our homeland while applying the resources of the federal government in the most efficient and effective manner possible. Given the tragic events of Tuesday, September 11, 2001, a comprehensive risk management approach that addresses all threats has become an imperative.

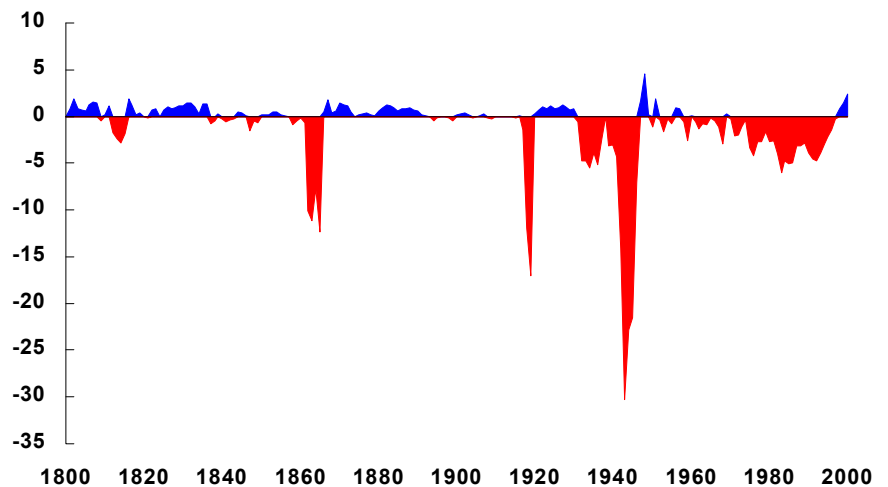
As this nation implements a strategy for homeland security, we will encounter many of the long-standing performance and accountability challenges being faced throughout the federal government. For example, we will be challenged to look across the federal government itself to bring more coherence to the operations of many agencies and programs. We must also address human capital issues to determine if we have the right people with the right skills and knowledge in the right places. Coordination across all levels of government will be required as will adequately defining performance goals and measuring success. In addressing these issues, we will also need to keep in mind that our homeland security priorities will have to be accomplished against the backdrop of the long-term fiscal challenges that loom just over the 10-year budget window.

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## Short- and Long-Term Fiscal Implications

The challenges of combating terrorism and otherwise addressing homeland security have come to the fore as urgent claims on the federal budget. As figure 2 shows, our past history suggests that when our national security or the state of the nation's economy was at issue, we have incurred sizable deficits. Many would argue that today we are facing both these challenges. We are fortunate to be facing them at a time when we have some near-term budgetary flexibility. The budgetary surpluses of recent years that were achieved by fiscal discipline and strong economic growth put us in a stronger position to respond both to the events of September 11 and to the economic slowdown than would otherwise have been the case. I ask you to recall the last recession in the early 1990s where our triple-digit deficits [in billions of dollars] limited us from considering a major fiscal stimulus to jump start the economy due to well-founded fears about the impact of such measures on interest rates that were already quite high. In contrast, the fiscal restraint of recent years has given us the flexibility we need to both respond to the security crisis and consider short-term stimulus efforts.

**Figure 2: Surpluses or Deficits as a Share of Gross Domestic Product (GDP) (1800-2000)**



Note: Data through 1929 are shown as a percent of gross national product (GNP); data from 1930 to present are shown as a percent of GDP.

Sources: Office of Management and Budget and Department of Commerce.

As we respond to the urgent priorities of today, we need to do so with an eye to the significant long-term fiscal challenges we face just over the 10-year budget horizon. I know that you and your counterparts in the Senate have given a great deal of thought to how the Congress and the President might balance today's immediate needs against our long-term fiscal challenges. This is an important note to sound—while some short-term actions are understandable and necessary, long-term fiscal discipline is still an essential need.

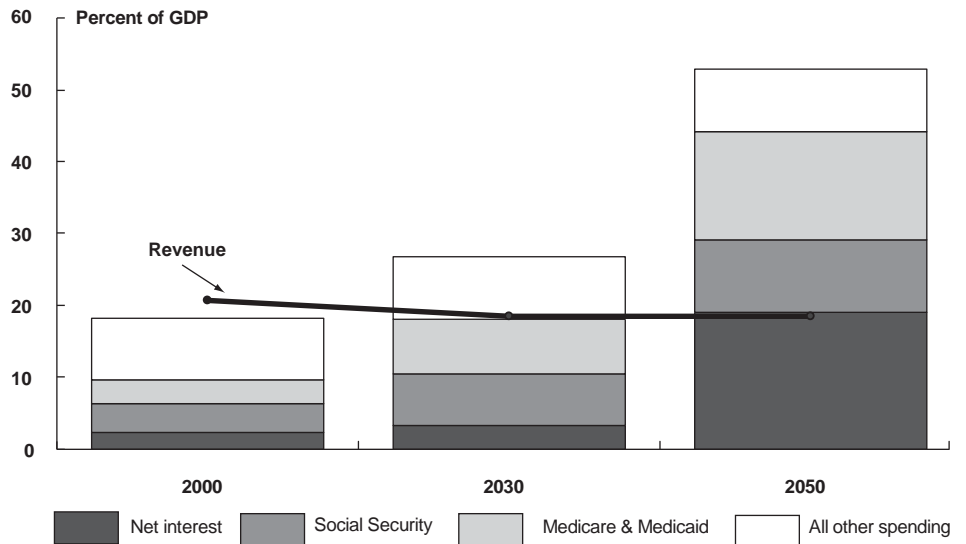
As we seek to meet today's urgent needs, it is important to be mindful of the collective impact of our decisions on the overall short- and long-term fiscal position of the government. For the short term, we should be wary of building in large permanent structural deficits that may drive up interest rates, thereby offsetting the potential economic stimulus Congress provides. For the longer term, known demographic trends (e.g., the aging of our population) and rising health care costs will place increasing claims on future federal budgets—reclaiming the fiscal flexibility necessary to address these and other emerging challenges is a major task facing this generation.

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None of the changes since September 11 have lessened these long-term pressures on the budget. In fact, the events of September 11 have served to increase our long-range challenges. The baby boom generation is aging and is projected to enjoy greater life expectancy. As the share of the population over 65 climbs, federal spending on the elderly will absorb larger and ultimately unsustainable shares of the federal budget. Federal health and retirement spending are expected to surge as people live longer and spend more time in retirement. In addition, advances in medical technology are likely to keep pushing up the cost of providing health care. Absent substantive change in related entitlement programs, we face the potential return of large deficits requiring unprecedented spending cuts in other areas or unprecedented tax increases.

As you know, the Director of the Congressional Budget Office (CBO) has recently suggested the possibility of a federal budget deficit in fiscal year 2002, and other budget analysts appear to be in agreement. While we do not know today what the 10-year budget projections will be in the next updates by CBO and the Office of Management and Budget (OMB), we do know the direction: they will be considerably less optimistic than before September 11, and the long-term outlook will look correspondingly worse. For example, if we assume that the 10-year surpluses CBO projected in August are eliminated, by 2030 absent changes in the structure of Social Security and Medicare, there would be virtually no room for any other federal spending priorities, including national defense, education, and law enforcement. (See fig. 3.) The resource demands that come from the events of September 11—and the need to address the gaps these events surfaced—will demand tough choices. Part of that response must be to deal with the threats to our long-term fiscal health. Ultimately, restoring our long-term fiscal flexibility will involve both promoting higher long-term economic growth and reforming the federal entitlement programs. When Congress returns for its next session, these issues should be placed back on the national agenda.

**Figure 3: August 2001 Projection – Composition of Federal Spending Under the “Eliminate Unified Surpluses” Simulation**



Note: Revenue as a share of GDP declines from its 2000 level of 20.6 percent due to unspecified permanent policy actions. In this display, policy changes are allocated equally between revenue reductions and spending increases.

Source: GAO's August 2001 analysis.

With this long-term outlook as backdrop, an ideal fiscal response to a short-term economic downturn would be temporary and targeted, and avoid worsening the longer-term structural pressures on the budget. However, you have been called upon not merely to respond to a short-term economic downturn but also to the homeland security needs so tragically highlighted on September 11. This response will appropriately consist of both temporary and longer-term commitments. While we might all hope that the struggle against terrorism might be brought to a swift conclusion, prudence dictates that we plan for a longer-term horizon in this complex conflict.

Given the long-term fiscal challenge driven by the coming change in our demographics, you might think about the options you face in responding to short-term economic weakness in terms of a range or portfolio of fiscal actions balancing today's urgent needs with tomorrow's fiscal challenges. In my

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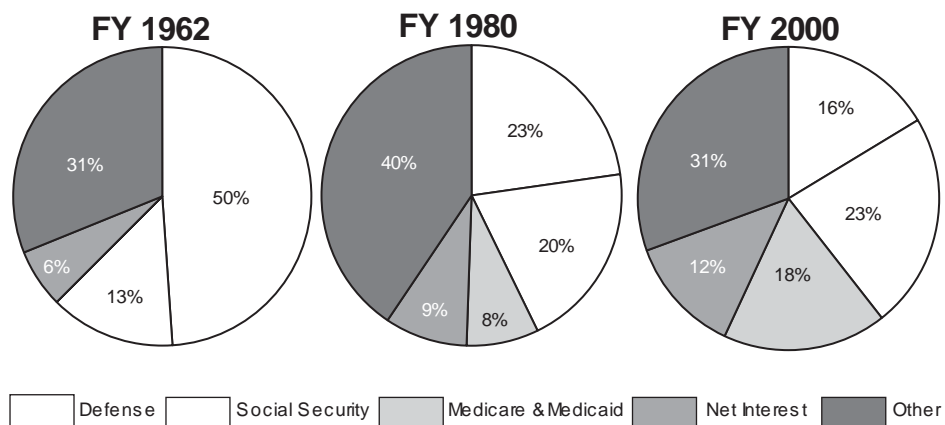
testimony last February before the Senate Budget Committee,<sup>4</sup> I suggested that fiscal actions could be described as a continuum by the degree of long-term fiscal risk they present. At one end, debt reduction and entitlement reform actually increase future fiscal flexibility by freeing up resources. One-time actions—either on the tax or spending side of the budget—may have limited impact on future flexibility. At the other end of the fiscal risk spectrum, permanent or open-ended fiscal actions on the spending side or tax side of the budget can reduce future fiscal flexibility—although they may have salutary effects on longer-term economic growth depending on their design and implementation. I have suggested before that increasing entitlement spending arguably presents the highest risk to our long-range fiscal outlook. Whatever choices the Congress decides to make, approaches should be explored to mitigate risk to the long term. For example, provisions with plausible expiration dates—on the spending and/or the tax side—may prompt re-examination taking into account any changes in fiscal circumstances. In addition, a mix of temporary and permanent actions can also serve to reduce risk.

As we move beyond the immediate threats, it will be important for the Congress and the President to take a hard look at competing claims on the federal fisc. I don't need to remind this Committee that a big contributor to deficit reduction in the 1990s was the decline in defense spending. Given recent events, it is pretty clear that the defense budget is not a likely source for future budget reductions. (See fig. 4.)

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<sup>4</sup> *Long-Term Budget Issues: Moving From Balancing the Budget to Balancing Fiscal Risk* (GAO-01-385T, Feb. 6, 2001).

**Figure 4: Composition of Federal Spending**



Source: Budget of the United States Government FY 2002, Office of Management and Budget.

Once the economy rebounds, returning to surpluses will take place against the backdrop of greater competition of claims within the budget. The new commitments that we need to undertake to protect this nation against the threats stemming from terrorism will compete with other priorities. Subjecting both new proposals and existing programs to scrutiny would increase the ability to accommodate any new needs.

A fundamental review of existing programs and operations can create much needed fiscal flexibility to address emerging needs by weeding out programs that have proven to be outdated, poorly targeted or inefficient in their design and management.<sup>5</sup> Many programs were designed years ago to respond to earlier challenges. Obviously many things have changed. It should be the norm to reconsider the relevance or “fit” of any federal program or activity in today’s world and for the future. In fact, we have a stewardship responsibility to both today’s taxpayers and tomorrow’s to reexamine and update our priorities, programs, and agency operations. Given the significant events since the last CBO 10-year budget projections, it is clear that the time has come to conduct a comprehensive review of existing agencies and programs—which are often considered to be “in the base”—while exercising continued prudence and fiscal discipline in connection with new initiatives.

<sup>5</sup> See *Congressional Oversight: Opportunities to Address Risks, Reduce Costs, and Improve Performance* (GAO/T-AIMD-00-96, Feb. 17, 2000) and *Budget Issues: Effective Oversight and Budget Discipline Are Essential—Even in a Time of Surplus* (GAO/T-AIMD-00-73, Feb. 1, 2000).

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In particular, agencies will need to reassess their strategic goals and priorities to enable them to better target available resources to address urgent national preparedness needs. The terrorist attacks, in fact, may provide a window of opportunity for certain agencies to rethink approaches to longstanding problems and concerns. For instance, the threat to air travel has already prompted attention to chronic problems with airport security that we and others have been pointing to for years. Moreover, the crisis might prompt a healthy reassessment of our broader transportation policy framework with an eye to improving the integration of air, rail, and highway systems to better move people and goods. Other longstanding problems also take on increased relevance in today's world. Take, for example, food safety. Problems such as overlapping and duplicative inspections, poor coordination and the inefficient allocation of resources are not new. However, they take on a new meaning—and could receive increased attention—given increased awareness of bioterrorism issues.

GAO has identified a number of areas warranting reconsideration based on program performance, targeting, and costs. Every year, we issue a report identifying specific options, many scored by CBO, for congressional consideration stemming from our audit and evaluation work.<sup>6</sup> This report provides opportunities for (1) reassessing objectives of specific federal programs, (2) improved targeting of benefits and (3) improving the efficiency and management of federal initiatives.

This same stewardship responsibility applies to our oversight of the funds recently provided to respond to the events of September 11. Rapid action in response to an emergency does not eliminate the need for review of how the funds are used. As you move ahead in the coming years, there will be proposals for new or expanded federal activities, but we must seek to distinguish the infinite variety of “wants” from those investments that have greater promise to effectively address more critical “needs.”

In sorting through these proposals, we might apply certain investment criteria in making our choices. Well-chosen enhancements to the nation's infrastructure are an important part of our national preparedness strategy. Investments in human capital for certain areas such as intelligence, public health and airport security will also be necessary as well to foster and maintain the skill sets needed to respond to the threats facing us. As we have seen with the airline industry, we may even be called upon to provide targeted and temporary assistance to certain

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<sup>6</sup> *Supporting Congressional Oversight: Framework for Considering Budgetary Implications of Selected GAO Work* (GAO-01-447, March 9, 2001).

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vital sectors of our economy affected by this crisis. A variety of governmental tools will be proposed to address these challenges—grants, loans, tax expenditures, direct federal administration. The involvement of a wide range of third parties—state and local governments, nonprofits, private corporations, and even other nations—will be a vital part of the national response as well.

In the short term, we have to do what is necessary to get this nation back on its feet and compassionately deal with the human tragedies left in its wake. However, as we think about our longer-term preparedness and develop a comprehensive homeland security strategy, we can and should select those programs and tools that promise to provide the most cost-effective approaches to achieve our goals. Some of the key questions that should be asked include the following:

- Does the proposed activity address a vital national preparedness mission and do the benefits of the proposal exceed its costs?
- To what extent can the participation of other sectors of the economy, including state and local governments, be considered; and how can we select and design tools to best leverage and coordinate the efforts of numerous governmental and private entities? Is the proposal designed to prevent other sectors or governments from reducing their investments as a result of federal involvement?
- How can we ensure that the various federal tools and programs addressing the objective are coherently designed and integrated so that they work in a synergistic rather than a fragmented fashion?
- Do proposals to assist critical sectors in the recovery from terrorist attacks appropriately distinguish between temporary losses directly attributable to the crisis and longer-term costs stemming from broader and more enduring shifts in markets and other forces?
- Are the proposal's time frames, cost projections, and promises realistic in light of past experience and the capacity of administrators at all levels to implement?

We will face the challenge of sorting out these many claims on the federal budget without the fiscal benchmarks and rules that have guided us through the years of deficit reduction into surplus. Your job therefore has become much more difficult.

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Ultimately, as this Committee recommended on October 4, we should attempt to return to a position of surplus as the economy returns to a higher growth path. Although budget balance may have been the desired fiscal position in past decades, nothing short of surpluses are needed to promote the level of savings and investment necessary to help future generations better afford the commitments of an aging society. As you seek to develop new fiscal benchmarks to guide policy, you may want to look at approaches taken by other countries. Certain nations in the Organization for Economic Cooperation and Development, such as Sweden and Norway, have gone beyond a fiscal policy of balance to one of surplus over the business cycle. Norway has adopted a policy of aiming for budget surpluses to help better prepare for the fiscal challenges stemming from an aging society. Others have established a specific ratio of debt to gross domestic product as a fiscal target.

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## Conclusion

The terrorist attack on September 11, 2001, was a defining moment for our nation, our government, and, in some respects, the world. The initial response by the President and the Congress has shown the capacity of our government to act quickly. However, it will be important to follow up on these initial steps to institutionalize and sustain our ability to deal with a threat that is widely recognized as a complex and longer-term challenge. As the President and the Congress—and the American people—recognize, the need to improve homeland security is not a short-term emergency. It will continue even if we are fortunate enough to have the threats moved off the front page of our daily papers.

As I noted earlier, implementing a successful homeland security strategy will encounter many of the same performance and accountability challenges that we have identified throughout the federal government. These include bringing more coherence to the operations of many agencies and programs, dealing with human capital issues, and adequately defining performance goals and measuring success.

The appointment of former Governor Ridge to head an Office of Homeland Security within the Executive Office of the President is a promising first step in marshalling the resources necessary to address our homeland security requirements. It can be argued, however, that statutory underpinnings and effective congressional oversight are critical to sustaining broad scale initiatives over the long term. Therefore, as we move beyond the immediate response to the design of a longer-lasting approach to homeland security, I urge you to consider the implications of different structures and statutory frameworks for accountability and your ability to conduct effective oversight. Needless to say, I am also interested in the impact of various approaches on GAO's ability to assist you in this task.

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You are faced with a difficult challenge: to respond to legitimate short-term needs while remaining mindful of our significant and continuing long-term fiscal challenges. While the Congress understandably needs to focus on the current urgent priorities of combating international terrorism, securing our homeland, and stimulating our economy, it ultimately needs to return to a variety of other challenges, including our long-range fiscal challenge. Unfortunately, our long-range challenge has become more difficult, and our window of opportunity to address our entitlement challenges is narrowing. As a result it will be important to return to these issues when the Congress reconvenes next year. We in GAO stand ready to help you address these important issues both now and in the future.

I would be happy to answer any questions that you may have.

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# Appendix I: Prior GAO Work Related to Homeland Security

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GAO has completed several congressionally requested efforts on numerous topics related to homeland security. Some of the work that we have done relates to the areas of combating terrorism, aviation security, transnational crime, protection of critical infrastructure, and public health. The summaries describe recommendations made before the President established the Office of Homeland Security.

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## Combating Terrorism

Given concerns about the preparedness of the federal government and state and local emergency responders to cope with a large-scale terrorist attack involving the use of weapons of mass destruction, we reviewed the plans, policies, and programs for combating domestic terrorism involving weapons of mass destruction that were in place prior to the tragic events of September 11. Our report, *Combating Terrorism: Selected Challenges and Related Recommendations*,<sup>1</sup> which was issued September 20, 2001, updates our extensive evaluations in recent years of federal programs to combat domestic terrorism and protect critical infrastructure.

Progress has been made since we first began looking at these issues in 1995. Interagency coordination has improved, and interagency and intergovernmental command and control now is regularly included in exercises. Agencies also have completed operational guidance and related plans. Federal assistance to state and local governments to prepare for terrorist incidents has resulted in training for thousands of first responders, many of whom went into action at the World Trade Center and at the Pentagon on September 11, 2001.

We also recommended that the President designate a single focal point with responsibility and authority for all critical functions necessary to provide overall leadership and coordination of federal programs to combat terrorism. The focal point should oversee a comprehensive national-level threat assessment on likely weapons, including weapons of mass destruction, that might be used by terrorists and should lead the development of a national strategy to combat terrorism and oversee its implementation. With the President's appointment of the Homeland Security Adviser, that step has been taken. Furthermore, we recommended that the Assistant to the President for Science and Technology complete a strategy to coordinate research and development to improve federal capabilities and avoid duplication.

## Aviation Security

Since 1996, we have presented numerous reports and testimonies and identified numerous weaknesses that we found in the commercial aviation security system.

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<sup>1</sup> [GAO-01-822](#), Sept. 20, 2001.

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For example, we reported that airport passenger screeners do not perform well in detecting dangerous objects, and Federal Aviation Administration tests showed that as testing gets more realistic—that is, as tests more closely approximate how a terrorist might attempt to penetrate a checkpoint—screener performance declines significantly. In addition, we were able to penetrate airport security ourselves by having our investigators create fake credentials from the Internet and declare themselves law enforcement officers. They were then permitted to bypass security screening and go directly to waiting passenger aircraft. In 1996, we outlined a number of steps that required immediate action, including identifying vulnerabilities in the system; developing a short-term approach to correct significant security weaknesses; and developing a long-term, comprehensive national strategy that combines new technology, procedures, and better training for security personnel.

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## Cyber Attacks on Critical Infrastructure

Federal critical infrastructure-protection initiatives have focused on preventing mass disruption that can occur when information systems are compromised because of computer-based attacks. Such attacks are of growing concern due to the nation's increasing reliance on interconnected computer systems that can be accessed remotely and anonymously from virtually anywhere in the world. In accordance with Presidential Decision Directive 63, issued in 1998, and other information-security requirements outlined in laws and federal guidance, an array of efforts has been undertaken to address these risks. However, progress has been slow. For example, federal agencies have taken initial steps to develop critical infrastructure plans, but independent audits continue to identify persistent, significant information security weaknesses that place many major federal agencies' operations at high risk of tampering and disruption. In addition, while federal outreach efforts have raised awareness and prompted information sharing among government and private sector entities, substantive analysis of infrastructure components to identify interdependencies and related vulnerabilities has been limited. An underlying deficiency impeding progress is the lack of a national plan that fully defines the roles and responsibilities of key participants and establishes interim objectives. Accordingly, we have recommended that the Assistant to the President for National Security Affairs ensure that the government's critical infrastructure strategy clearly define specific roles and responsibilities, develop interim objectives and milestones for achieving adequate protection, and define performance measures for accountability. The administration has been reviewing and considering adjustments to the government's critical infrastructure-protection strategy and last week, announced appointment of a Special Advisor to the President for Cyberspace Security.

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## International Crime Control

On September 20, 2001, we publicly released a report on international crime control and reported that individual federal entities have developed strategies to

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address a variety of international crime issues, and for some crimes, integrated mechanisms exist to coordinate efforts across agencies. However, we found that without an up-to-date and integrated strategy and sustained top-level leadership to implement and monitor the strategy, the risk is high that scarce resources will be wasted, overall effectiveness will be limited or not known, and accountability will not be ensured. We recommended that the Assistant to the President for National Security Affairs take appropriate action to ensure sustained executive-level coordination and assessment of multi-agency federal efforts in connection with international crime, including efforts to combat money laundering. Some of the individual actions we recommended were to update the existing governmentwide international crime threat assessment, to update or develop a new International Crime Control Strategy to include prioritized goals as well as implementing objectives, and to designate responsibility for executing the strategy and resolving any jurisdictional issues.

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## Public Health

The spread of infectious diseases is a growing concern. Whether a disease outbreak is intentional or naturally occurring, the public health response to determine its causes and contain its spread is largely the same. Because a bioterrorist event could look like a natural outbreak, bioterrorism preparedness rests in large part on public health preparedness. We reported in September 2001 that concerns remain regarding preparedness at state and local levels and that coordination of federal terrorism research, preparedness, and response programs is fragmented.

In our review last year of the West Nile virus outbreak in New York, we also found problems related to communication and coordination among and between federal, state, and local authorities. Although this outbreak was relatively small in terms of the number of human cases, it taxed the resources of one of the nation's largest local health departments. In 1999, we reported that surveillance for important emerging infectious diseases is not comprehensive in all states, leaving gaps in the nation's surveillance network. Laboratory capacity could be inadequate in any large outbreak, with insufficient trained personnel to perform laboratory tests and insufficient computer systems to rapidly share information. Earlier this year, we reported that federal agencies have made progress in improving their management of the stockpiles of pharmaceutical and medical supplies that would be needed in a bioterrorist event, but that some problems still remained. There are also widespread concerns that hospital emergency departments generally are not prepared in an organized fashion to treat victims of biological terrorism and that hospital emergency capacity is already strained, with emergency rooms in major metropolitan areas routinely filled and unable to accept patients in need of urgent care. To improve the nation's public health surveillance of infectious diseases and help ensure adequate public protection, we recommended that the Director of the Centers for Disease Control and Prevention

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lead an effort to help federal, state, and local public health officials achieve consensus on the core capacities needed at each level of government. We advised that consensus be reached on such matters as the number and qualifications of laboratory and epidemiological staff as well as laboratory and information technology resources.

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# Related GAO Products

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## Homeland Security

*Homeland Security: A Risk Management Approach Can Guide Preparedness Efforts* (GAO-02-208T, Oct. 31, 2001)

*Homeland Security: Need to Consider VA's Role in Strengthening Federal Preparedness* (GAO-02-145T, Oct. 15, 2001)

*Homeland Security: Key Elements of a Risk Management Approach* (GAO-02-150T, Oct. 12, 2001)

*Homeland Security: A Framework for Addressing the Nation's Efforts*, (GAO-01-1158T, Sep. 21, 2001)

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## Combating Terrorism

*Combating Terrorism: Considerations for Investing Resources in Chemical and Biological Preparedness* (GAO-02-162T, Oct. 17, 2001)

*Combating Terrorism: Selected Challenges and Related Recommendations* (GAO-01-822, Sep. 20, 2001)

*Combating Terrorism: Actions Needed to Improve DOD's Antiterrorism Program Implementation and Management* (GAO-01-909, Sep. 19, 2001)

*Combating Terrorism: Comments on H.R. 525 to Create a President's Council on Domestic Preparedness* (GAO-01-555T, May 9, 2001).

*Combating Terrorism: Observations on Options to Improve the Federal Response* (GAO-01-660T, Apr. 24, 2001).

*Combating Terrorism: Accountability Over Medical Supplies Needs Further Improvement* (GAO-01-463, Mar. 30, 2001).

*Combating Terrorism: Comments on Counterterrorism Leadership and National Strategy* (GAO-01-556T, Mar. 27, 2001).

*Combating Terrorism: FEMA Continues to Make Progress in Coordinating Preparedness and Response* (GAO-01-15, Mar. 20, 2001).

*Combating Terrorism: Federal Response Teams Provide Varied Capabilities; Opportunities Remain to Improve Coordination* (GAO-01-14, Nov. 30, 2000).

*Combating Terrorism: Linking Threats to Strategies and Resources* (GAO/T-NSIAD-00-218, July 26, 2000).

*Combating Terrorism: Action Taken but Considerable Risks Remain for Forces Overseas* (GAO/NSIAD-00-181, July 19, 2000).

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*Combating Terrorism: Comments on Bill H.R. 4210 to Manage Selected Counterterrorist Programs* (GAO/T-NSIAD-00-172, May 4, 2000).

*Combating Terrorism: How Five Foreign Countries Are Organized to Combat Terrorism* (GAO/NSIAD-00-85, Apr. 7, 2000).

*Combating Terrorism: Issues in Managing Counterterrorist Programs* (GAO/T-NSIAD-00-145, Apr. 6, 2000).

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*Combating Terrorism: Chemical and Biological Medical Supplies are Poorly Managed* (GAO/HEHS/AIMD-00-36, Oct. 29, 1999).

*Combating Terrorism: Observations on the Threat of Chemical and Biological Terrorism* (GAO/T-NSIAD-00-50, Oct. 20, 1999).

*Combating Terrorism: Need for Comprehensive Threat and Risk Assessments of Chemical and Biological Attack* (GAO/NSIAD-99-163, Sept. 7, 1999).

*Combating Terrorism: Analysis of Federal Counterterrorist Exercises* (GAO/NSIAD-99-157BR, June 25, 1999).

*Combating Terrorism: Observations on Growth in Federal Programs* (GAO/T-NSIAD-99-181, June 9, 1999).

*Combating Terrorism: Analysis of Potential Emergency Response Equipment and Sustainment Costs* (GAO/NSIAD-99-151, June 9, 1999).

*Combating Terrorism: Analysis of Potential Emergency Response Equipment and Sustainment Costs* (GAO/NSIAD-99-151, June 9, 1999).

*Combating Terrorism: Use of National Guard Response Teams Is Unclear* (GAO/NSIAD-99-110, May 21, 1999).

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*Aviation Security: Weaknesses in Airport Security and Options for Assigning Screening Responsibilities*, (GAO-01-1165T, Sept. 21, 2001)

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*Critical Infrastructure Protection: Significant Challenges in Protecting Federal Systems and Developing Analysis and Warning Capabilities* (GAO-01-1132T, Sept. 12, 2001).

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*Critical Infrastructure Protection: Significant Challenges in Developing Analysis, Warning, and Response Capabilities* (GAO-01-769T, May 22, 2001).

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*Bioterrorism: Public Health and Medical Preparedness, (GAO-02-141T, Oct. 9, 2001)*

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